

Message Text

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TAGS: EGEN, EFIN, IT

SUBJ: LATEST GOI ECONOMIC FORECASTS

/SUMMARY/. MINISTRIES OF THE BUDGET AND TREASURY RELEASED
SEPTEMBER 30 ANNUAL GOI ECONOMIC FORECASTS FOR REMAINDER
1975. DROP OF 3.0 PERCENT TO 3.5 PERCENT IN GDP GROWTH,
FIRST DROP IN POST-WAR PERIOD, AND CONTINUED HIGH INFLA-
TION THROUGH REST OF YEAR HIGHLIGHTS OF 1975 FORECASTS.
FOR 1976 POSITIVE GDP GROWTH OF 2.0 PERCENT IS FORESEEN. THE
OUTLOOK FOR IMPROVING THE EMPLOYMENT PICTURE WAS SEEN AS BLEAK
DURING THE REMAINDER OF 1975. /END SUMMARY/.

1. THE MINISTRIES OF THE BUDGET AND THE TREASURY RELEASED
SEPTEMBER 30 ANNUAL GOI ECONOMIC FORECAST. FORECASTS
PRESENTED WERE LIMITED TO REMAINDER OF 1975 (EXCEPT FOR 1976
GDP GROWTH ESTIMATE) AND EXCLUDED MANY IMPORTANT
ECONOMIC INDICATORS. FORECASTING DOCUMENTS PRESENTED SAME
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DAY TO PARLIAMENT FOR DEBATE.

2. FORECASTS PREDICT DROP IN 1975 OF 3.0 PERCENT TO 3.5 PERCENT IN GDP GROWTH, FIRST DROP IN POST-WAR PERIOD. FOR 1976 POSITIVE GDP GROWTH OF 2.0 PERCENT ANTICIPATED AS ITALIAN ECONOMY BEGINS RECOVERY. DECLINES OF 13.0 PERCENT IN GROSS FIXED INVESTMENT AND OF 3.0 PERCENT IN PRIVATE CONSUMPTION FOR 1975 ALSO EXPECTED. INFLATION RATE (MEASURED BY CONSUMER PRICE INDEX) FOR 1975 ESTIMATED TO BE 18.0 PERCENT. OUTLOOK FOR IMPROVEMENT IN REDUCING UNEMPLOYMENT DURING REMAINDER OF 1975 IS BLEAK.

3. ALL 1975 ESTIMATES CONTAINED IN FORECASTING DOCUMENTS ARE CONSIDERABLY MORE NEGATIVE THAN 1975 PRELIMINARY ESTIMATES ISSUED ONE YEAR AGO. DURATION AND DEPTH OF ECONOMIC SLOW-DOWN IN ITALY CLEARLY UNDERESTIMATED BY GOI POLICY MAKERS AT THAT TIME.

4. DESPITE LACK OF DETAIL, ESTIMATES PRESENTED IN FORECASTING DOCUMENTS ARE THE LATEST OFFICIAL GOI FIGURES AVAILABLE AND REFLECT PRESENT CONSENSUS OF MAJOR ECONOMIC MINISTRIES (AS WELL AS THE BANK OF ITALY, WHICH ASSISTED IN THE PREPARATION OF THE DOCUMENTS). 1976 ESTIMATE OF 2.0 PERCENT INCREASE IN GDP GROWTH INDICATES SLUGGISHNESS AND FRAGILITY OF EXPECTED ECONOMIC RECOVERY. VOLPE

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